

Message Text

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ACTION ARA-20

INFO OCT-01 ISO-00 AGR-20 COME-00 TAR-02 SP-03 AID-20

EB-11 NSC-07 RSC-01 CIEP-02 TRSE-00 SS-20 STR-08

OMB-01 CEA-02 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 PA-04 PRS-01 USIA-15 SWF-02 DRC-01 /164 W

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P R 241735Z MAY 74

FM AMEMBASSY SAN JOSE

TO SECSTATE WASHDC PRIORITY 7118

INFO AMEMBASSY BOGOTA

AMEMBASSY BRASILIA

AMEMBASSY GUATEMALA

AMCONSUL GUAYAQUIL

AMEMBASSY MANAGUA

AMEMBASSY PANAMA

AMEMBASSY QUITO

AMEMBASSY SAN SALVADOR

AMEMBASSY TEGUCIGALPA

C O N F I D E N T I A L SECTION 1 OF 2 SAN JOSE 1996

E.O. 11652: GDS

TAGS: ENRG, CS

SUBJECT: BANANAS--CREEPING TOWARDS NEGOTIATION PHASE?

REF: SAN JOSE 1944

1. SUMMARY: EX-VICE PRESIDENT ROSSI FEELS THAT WORST MIGHT BE OVER, AND THAT NEGOTIATIONS TO WORK OUT A COMPROMISE WITH STANDARD ON THE TAX QUESTIONS WHICH WOULD KEEP THE COMPANY HERE ARE POSSIBLE. GOCR STILL HAS NOT NAMED ITS NEGOTIATING TEAM, BUT STANDARD HAS NAMED A TEAM HEADED BY LOCAL MANAGER.

END SUMMARY.

2. MORNING OF MAY 23 EMBOFF AND AGATT HAD LONG CONVER-
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SATION WITH EX-VICE PRESIDENT JORGE ROSSI PRIMARILY ABOUT THE

PRESENT STATE OF PLAY ON THE STANDARD FRUIT COMPANY PROBLEM. ROSSI IS PRESIDENT OF ASBANA, A MIXED PUBLIC-PRIVATE BANANA ASSOCIATION AND AS AN INDEPENDENT BANANA GROWER HE SELLS FRUIT TO STANDARD. ROSSI HAS HAD A LONG, FRIENDLY RELATIONSHIP WITH THE COMPANY. AS VICE PRESIDENT AND ACTING PRESIDENT DURING THE LAST ADMINISTRATION HE WAS CONSIDERED ONE OF THE CALMER MINDS IN GOVERNMENT ON THE BANANA TAX ISSUE. ROSSI HAS BEEN IN TOUCH WITH PRESIDENT ODUBER ON THE PROBLEM AND IMMEDIATELY AFTER OUR INTERVIEW LEFT FOR AN APPOINTMENT WITH THE PRESIDENT IN ORDER TO HELP THE GOCR DEVELOP ITS STRATEGY.

3. CONCERNING THE PRESENT SITUATION, ROSSI MADE THE FOLLOWING POINTS:

(A) THE AIM NOW SHOULD BE TO WIND DOWN EMOTION ON BOTH SIDES AND TO TRY TO WORK OUT PROBLEMS CALMLY.

(B) PURCHASE OF STANDARD'S AEOLTS BY THE GOCR--AND CONSEQUENT PULL-OUT BY STANDARD--WOULD BE A GRAVE MISTAKE. IT WOULD RESULT IN SERIOUS LOSS OF EXPORT EARNINGS FOR COSTA RICA AND

COULD AGGRAVATE THE WORLD OVER-PRODUCTION PROBLEM. SO, THE THRUST OF GOCR POLICY SHOULD BE ON WORKING OUT A COMPROMISE ON THE TAX QUESTION WITH WHICH BOTH PARTIES COULD LIVE.

(C) SUCH A COMPROMISE MIGHT CONSIST OF A "TRIAL BASIS" TAX, TO BE ACCOMPANIED BY PRODUCTION CUTBACKS AS MARGINAL PRODUCERS ARE PHASED OUT (WITH PROVISION FOR REIMBURSEMENT IN CASE OF LOSS TO THE COMPANIES DURING THE TRIAL PERIOD.)

4. ROSSI RECOUNTED STEPS THAT LEAD TO THE COSTA RICA-COMPANY CONFRONTATION, SUGGESTING THAT THERE WERE MANY POINTS ALONG THE WAY WHERE THE PROBLEM MIGHT HAVE BEEN DIFFUSED BUT FOR VERY EVIDENT PERSONALITY CONFLICTS BETWEEN EX-PRESIDENT FIGUERES AND CASTLE AND COOK PRESIDENT KIRCHHOFF. HE SAID THAT BOTH KIRCHHOFF AND VICE PRESIDENT WAITE WERE HIGHLY INTELLIGENT, SKILLED MEN. NEVERTHELESS, KIRCHHOFF'S BLUNT APPROACH CONSISTENTLY BROUGHT OUT THE MOST IRRATIONAL IN FIGUERES.

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5. TURNING TO UNITED BRANDS, ROSSI SAID UNITED HAD NOT RESPONDED TO THE GOCR'S REQUEST FOR BEGINNING NEGOTIATIONS ON A NEW CONTRACT LAW, AND THAT WHILE UNITED'S CHAIRMAN ELY BLACK HAD AT FIRST SEEMED TO ACQUIESCE IN THE TAX IDEA, NO ONE COULD BE TOO SURE HOW. HE NOTED THAT UNITED FRUIT HAD BEEN BORN IN COSTA RICA AND POINTED OUT THAT A FEW YEARS AGO FORMER U.S. AMBASSADOR HILL HAD BEEN INSTRUCTED TO BRING UNITED AND THE GOCR TOGETHER TO WORK

OUT A PROBLEM NOT UNLIKE THE PRESENT ONE WITH STANDARD.

6. COMMENT: THE STANDARD FRUIT SITUATION NOW SEEMS TO BE MOVING ON TWO DIFFERENT LEVELS, A PUBLIC ONE AND WHAT IS GOING ON BEHIND THE SCENES. ALTHOUGH INFLAMMATORY NEWS COVERAGE HAS ABATED SLIGHTLY, STANDARD CONTINUES TO BE PROTRAYED AS THE HEAVEY AND ITS PUBLIC IMAGE IS VERY BAD. IN ADDITION THERE IS CONSIDERABLE POLITICAL FLACK, INCLUDING A STATEMENT MAY 21 BY EX-PRESIDENT FIGUERES TO THE EFFECT THAT "STANDARD HAS DECLARED WAR ON US". MOREOVER ON MAY 22 PLN DIPUTADO JOSE MIGUEL CORRALES SUBMITTED BILL FOR EXPROPRIATION OF THE COMPANY WITH INDEMNIFICATION TO BE DETERMINED BY THE GOCR TAX OFFICE AND FUNDS TO BE RAISED BY BOND ISSUANCE. ROSSI THINKS, HOWEVER, THAT THE WORST IS OVER AND THIS PUBLIC LEVEL ACTIVITY IS SO MUCH POLITICAL FLUFF. THERE IS MORE SUBSTANCE, HE THINKS, TO WHAT IS GOING ON BEHIND THE SCENES. IF ROSSI HAS HIS WAY, MATTERS MAY SOON BEGIN MOVING AWAY FROM CONFRONTATION. (MAY 24 PRESS SUGGESTS THAT INDEED THE GOCR HAS DECIDED ON SUCH A POLICY. IN A PRESS CONFERENCE ON MAY 23, FIRST VICE PRESIDENT CASTILLO REPORTEDLY MAINTAINED THAT "THE GOVERNMENT WAS NOT INTERESTED IN HAVING STANDARD LEAVE", ON SAME DAY, MINISTER SANCHEZ ANNOUNCED THAT NEGOTIATIONS WITH STANDARD WOULD BEGIN ON MONDAY, MAY 27.) STANDARD HAS NOW NAMED ITS NEGOTIATING TEAM TO BEGIN TALKS WITH

THE GOCR. THIS CONSISTS OF THE LOCAL MANAGER EGLEHART, STANDARD'S COSTA RICAN ATTORNEY, MARIANO ANDERSON; AND ITS GOCR LIAISON MAN DE LA ESPRIZWLA (REFTEL). ROSSI IS ENCOURAGED BY THE NAMING OF THIS TEAM AND OBVIOUSLY HOPES THAT KIRCHHOFF WILL STAY OUT OF IT. ON THE GOCR SIDE NEGOTIATORS HAVE NOT YET BEEN NAMED BUT MINISTER SANCHEZ, EX-MINISTER ALPIZAR, ROSSI AND EX-PRESIDENT FIGUERES HAVE

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ALL BEEN SUGGESTED AS POSSIBILITIES. (OBVIOUSLY NAMING FIGUERES WOULD NOT BE A GOOD OMEN.) IN A TELCON WITH DE LA ESPRIELLA THE AFTERNOON OF MAY 23 THE LATTER CONFIRMED THAT STANDARD HAD INDEED NAMED ITS DELEGATION BUT SAID THERE HAD BEEN NO RESPONSE YET FROM THE GOCR. DE LA ESPRIELLA REPEATED STANDARD'S USUAL POSITION THAT STANDARD COULD NOT LIVE WITH THE TAX AND WOULD SELL OUT OR EVEN SHUT DOWN BEFORE AGREEING TO THIS BUT NEVERTHELESS INDICATED THAT STANDARD WAS PREPARED TO TALK. AS NOTED IN REFTEL, WE THINK STANDARD ALSO WOULD PREFER NOT TO LEAVE, DESPITE ITS "NO COMPROMISE" FORMAL POSITION ON THE TAX.

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OMB-01 CEA-02 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

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P R 241735Z MAY 74

FM AMEMBASSY SAN JOSE

TO SECSTATE WASHDC PRIORITY 7119

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AMEMBASSY GUATEMALA

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AMEMBASSY MANAGUA

AMEMBASSY PANAMA

AMEMBASSY QUITO

AMEMBASSY SAN SALVADOR

AMEMBASSY TEGUCIGALPA

C O N F I D E N T I A L SECTION 2 OF 2 SAN JOSE 1996

7. ONE OF THE CLEAREST MESSAGES THAT CAME THROUGH FROM ROSSI WAS HIS SINCERE ADMIRATION FOR STANDARD AS A WELL-RUN AND TECHNICALLY EXCELLENT COMPANY. HE SAID THE COMPANY IN MANY WAYS SERVES AS A SCHOOL FOR TRAINING LOCAL PRODUCERS AND THAT ITS LABOR RELATIONS HAD BEEN GOOD. NEVERTHELESS, ROSSI FELT THAT STANDARD HAD ACTED IN BAD FAITH IN THE LAST FEW WEEKS IN INCREASING PRODUCTION IN ECUADOR. HE SAID STANDARD HAS ALWAYS CHAMPIONED THE "OVER PRODUCTION" THESIS, BUT THAT ITS ONLY EXCUSE FOR ADDING TO PRODUCTION BY INCREASING PURCHASES IN ECUADOR WAS "IF WE DON'T DO IT SOMEONE ELSE WILL".

8. WE DO NOT THINK ROSSI'S REFERENCE TO THE EMBASSY'S GOOD OFFICES IN WORKING OUT THE PROBLEM WITH UNITED SOME YEARS AGO WAS AN "INDIRECTO" INVITATION TO US TO TAKE A MORE ACTIVE ROLE IN THE PRESENT CASE. HOWEVER, IF ROSSI DOES

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TURN OUT TO BE ODUBER'S CHIEF NEGOTIATOR, WE WOULD NOT RULE OUT
THE POSSIBILITY THAT HE WOULD TURN TO US IF THE APPROPRIATE
MOMENT AROSE.

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